

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CG-00 DOTE-00 EB-07 CIAE-00

INR-07 NSAE-00 AID-05 /042 W
----- 041869

R 261418Z NOV 75

FM AMEMBASSY KUWAIT

TO USDOC WASHDC

INFO SECSTATE WASHDC 4189

AMEMBASSY ATHENS

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: EWWT KU

SUBJECT: KUWAIT PORT EXPANSION; PHASE III COMING UP

REF: (A) KUWAIT A-45 MAY 17, 1975 (NOTAL) (B) KUWAIT 0754 (NOTAL)
(C) KUWAIT 5172 DECEMBER 2, 1974 (NOTAL)

SUMMARY: GOK OFFICIALS ARE NEARING DECISION ON SELECTION OF CONSULTING FIRM TO DESIGN AND SUPERVISE CONSTRUCTION OF PHASE III, "NORTHERN" EXTENSION OF SHUWEIKH PORT. CONTRADICTORY INFORMATION HAS APPEARED ON THIS IMPORTANT STAGE OF \$140-200 MILLION PROJECT. ASSOCIATED MARINE OF AMSTERDAM, BASED ON ITS PAST WORK WITH GOK ON PHASE II EXTENSION AND ON FEASIBILITY STUDY FOR PHASE III, IS CONFIDENT OF GETTING CONTRACT, BUT THERE ARE REPORTS FROM RELIABLE SOURCES THAT INDICATE THAT GOK EXTREMELY DISSATISFIED WITH ASA AND IS CONSIDERING ISSUING INVITATIONS TO BID TO OTHER CONSULTING FIRMS. PROJECT IN ANY CASE REPRESENTS IMPORTANT TRADE OPPORTUNITY FOR U.S. CONSULTING AND CONSTRUCTION FIRMS.
END SUMMARY.

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1. EMBASSY HAS LEARNED THAT MINISTRY OF PUBLIC WORKS (MPW)

IS NEARING DECISION ON HOW TO PROCEED WITH PHASE III OF THE EXPANSION PLAN FOR KUWAIT'S MAIN CARGO PORT AT SHUWEIKH. MPW HAS RECEIVED FEASIBILITY STUDY DRAWN UP BY DUTCH CONSULTING FIRM, ASSOCIATED MARINE OF AMSTERDAM (ASA), THE DESIGN AND MANAGEMENT CONSULTANT FOR THE PASE II, "WESTERN" EXTENSION NOW UNDER CONSTRUCTION. NEXT STEP, NOW UNDER CONSIDERATION, IS SELECTION OF CONSULTING FIRM WHICH WILL DESIGN THE NEW EXPANSION, DRAW UP TECHNICAL AND COST STUDIES, AND SUPERVISE ACTUAL CONSTRUCTION.

2. BASIC ELEMENTS OF PLAN FOR PHASE III, "NORTHERN" EXTENSION ALREADY KNOWN IN BROAD OUTLINE. CURRENT THINKING CALLS FOR CONSTRUCTION OF 22 ADDITIONAL BERTHS, WITH DEPTHS OF FROM 32 TO 40 FEET, TO THE NOTH OF THE PRESENT PORT. OTHER ELEMENTS INCLUDE THE FOLLOWING: DREDGING OF A NEW CHANNEL, TO A DEPTH OF 28 TO 32 FEET; SPECIAL FACILITIES FOR ROLL-ON/ROLL-OFF, LASH, AND CONTAINER VESSELS; TRANSIT SHEDS, STORAGE AREAS, HEAVY-DUTY CRANES, ACCESS ROADS, ETC.; A RAIL LINE RUNNING FROM PORT BY BRIDGE ACROSS SULAIBIKHAT BAY, TO LINK UP EVENTUALLY WITH BASRA IN IRAQ; A FREE TRADE ZONE CENTERED ON MARSHALLING YARDS FOR THIS RAILWAY.

3. ONLY ROUGH ESTIMATES OF TOTAL COST OF PORT EXPANSION PROJECT ARE AVAILABLE; THEY RANGE ANYWHERE FROM \$140 MILLION TO \$200 MILLION. COST OF CONSULTANCY PORTION OF THIS UNKNOWN, BUT COULD RUN FROM \$5 TO \$10 MILLION. ESTIMATED ELAPSED CONSTRUCTION TIME (NOT COUNTING TIME FOR CONSULTANCY STUDY) IS FIVE YEARS.

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4. EXACTLY WHEN AND HOW SELECTION PROCESS WILL PROCEED VERY MUCH IN DOUBT AT PRESENT. EMBASSY SOURCES ARE PROVIDING CONTRADICTORY INFORMATION ON THIS SCORE. ONE SOURCE, WORKING FOR DUTCH CONSULTANT, SAYS THAT GENERAL MANAGER OF ASA IS IN KUWAIT NEGOTIATING WITH MPW ON DESIGN CONSULTANCY CONTRACT. FYI. SOURCE NOTED THAT ASA ENVISAGES A TWO-YEAR STUDY FOLLOWED BY FIVE OR SIX YEARS OF ACTUAL CONSTRUCTION. ASA FEE WOULD BE BASED ON TOTAL FRONTAGE OF PIERS. SOURCE EXPLAINED THAT ASA NEGOTIATED ON A DIFFERENT BASIS FOR PHASE II JOB AND WAS "BURNED." END FYI. ON BASIS THAT ASA

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EXPERIENCE IN PHASE II AND IN FEASIBILITY STUDY, SOURCE EXPRESSED CONFIDENCE THAT ASA WOULD WIN CONSULTANCY CONTRACT.

5. ACCORDING TO CAPTAIN GEORGE HAIDER HARBOR MASTER FOR THE SHUWEIKH PORT, HOWEVER, MPW IS DISSATISFIED WITH ASA'S PROPOSALS ON SEVERAL GROUNDS: (1) THE FEE THAT ASA IS DEMANDING IS FAR TOO HIGH; (2) THE TWO-YEAR TIME SPAN FOR THE STUDY CONTEMPLATED BY ASA IS FAR TOO LONG. HAIDER

EXPLAINED THAT HE HAS ALREADY DRAWN UP THE BASIS PLAN FOR EXTENSION. ALL THE CONSULTANT WOULD HAVE TO DO IS FORMULATE TECHNICAL AND COST STUDIES ON PLAN, AND UNDERTAKE AT MOST MINOR MODIFICATIONS THAT PLAN; (3) ASA'S PROPOSALS FOR CONSTRUCTION OF THE PORT, STARTING FROM END OF PHASE II EXTENSION, WILL DISRUPT PORT OPERATIONS EXCESSIVELY ACCORDING TO HAIDER. SUCH DISRUPTION COULD BE AVOIDED IF CONSTRUCTION WERE TO START FROM THE OPPOSITE END, WORKING ITS WAY TOWARDS THE CURRENT PIER.

6. FOR THESE REASONS, ACCORDING TO HAIDER, MPW IS NOW CONSIDERING THE ISSUANCE OF AN INVITATION TO BID TO OTHER INTERNATIONAL CONSULTING FIRMS. SUCH A BID PROBABLY WOULD GO THROUGH THE PLANNING BOARD, WHICH WOULD SELECT THE CONSULTANT ON THE BASIS OF MPW-SUPPLIED SPECIFICATIONS. IT IS UNKNOWN WHEN MPW WOULD ISSUE THIS INVITATION, BUT, HAIDER SAYS, IT COULD COME AT ANY TIME.

7. HAIDER AND EMBOFF ALSO DISCUSSED THE CONSTRUCTION STAGE OR PORT EXPANSION PROJECT. HAIDER NOTED THAT MOST PROBLEMS COULD BE AVOIDED IF A LARGE, EXPERIENCED, AND WELL-EQUIPPED INTERNATIONAL CONSTRUCTION FIRM WAS SELECTED SUCH AS BROWN AND ROOT OR PERINI. HAIDER MENTIONED THE PROBLEMS THAT THE YUGOSLAV FIRM AT WORK ON PHASE II HAS RUN INTO BECAUSE OF ITS LACK OF HEAVY EQUIPMENT AND ITS INABILITY TO ATTRACT OR RETAIN SKILLED LABOR FOR LONG PERIODS OF TIME.

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INFO OCT-01 EUR-12 ISO-00 CG-00 DOTE-00 EB-07 CIAE-00

INR-07 NSAE-00 AID-05 /042 W

----- 041983

R 261418Z NOV 75

FM AMEMBASSY KUWAIT

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8. COMMENT: AS TRADE EXPANDS AND AS DEMAND ON KUWAIT'S PORT FACILITIES INCREASES, MPW WILL COME UNDER INCREASING PRESSURE TO MAINTAIN THE RELATIVELY ADVANCED LEVEL OF KUWAIT'S PORT FACILITIES BY MOVING ON PHASE III EXPANSION PROJECT. EFFECT OF THIS ON CONSULTANCY DECISION UNCLEAR: SOURCE AT ASA FEELS THAT PRESSURE ON MPW TO GET GOING ON PROJECT WILL WORK TO ADVANTAGE OF ASA, SINCE THEY HAVE BACKGROUND NECESSARY TO MOVE QUICKLY. HAIDER, HOWEVER, NOTING THE LONG STUDY PERIOD AND APPARENTLY AMBITIOUS PROGRAMS (POSSIBLY INVOLVING THE CONSTRUCTION OF AN ENTIRELY NEW PORT OUTSIDE SHUWEIKH AREA) BEING CONTEMPLATED BY ASA, FEELS THAT MPW WILL GO TO OTHER CONSULTING FIRMS WILLING TO WORK WITHIN FRAMEWORK ALREADY ESTABLISHED BY HAIDER IN CONJUNCTION WITH MPW. THIS HAS SOME IMPORTANCE FOR U.S. BUSINESSMEN, SINCE IT WILL DETERMINE WHETHER CONSULTING CONTRACT WILL BE OPEN FOR AMERICAN FIRMS, AND WHO WILL BE DRAWING UP SPECIFICATIONS FOR AND CONDUCTING OVERALL SUPERVISION AND WHO WILL HAVE A SAY IN SELECTION OF CONSTRUCTION FIRMS LATER ON. IN ANY CASE, EMBASSY BELIEVES THAT PHASE III PROJECT AN IMPORTANT OPPORTUNITY FOR U.S. INTERNATIONAL CONSTRUCTION FIRMS POSSIBLY CONSULTING FIRMS AS WELL.

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9. ACTION REQUESTED: EMBASSY WILL CONTINUE TO FOLLOW MATTER CLOSELY. EMBASSY REQUESTS THAT COMMERCE/CAGNE PASS ALONG NEWS OF UPCOMING TRADE OPPORTUNITY TO INTERESTED U.S. FIRMS. TO THIS END, EMBASSY FEELS THAT INFORMATION CONTAINED IN PARAGRAPHS ONE, TWO AND THREE CAN BE RELEASED. STOLTZFUS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, MARINE TRANSPORTATION, PORT FACILITIES
Control Number: n/a
Copy: SINGLE
Draft Date: 26 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KUWAIT05011
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750412-0008
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975118/aaaaaghj.tel
Line Count: 209
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 KUWAIT A-45
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUN 2003 by BoyleJA>; APPROVED <16 OCT 2003 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KUWAIT PORT EXPANSION; PHASE III COMING UP
TAGS: EWWT, KU
To: COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006